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A Structural Fit between States and Markets? Public Administration Regulation and Market Economy Models in the OECD

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A Structural Fit between States and Markets?

Public Administration Regulation and Market Economy Models in the OECD

ABSTRACT

This article examines the relationship between public administration regulation and market economy models in 20 OECD countries. Building on Pollitt and Bouckaert's (2004) administrative dimension, we employ explorative statistical analysis to identify three distinct public administration regimes: an Anglo-American, a French/German and a Scandinavian regime. The regime structure, especially with regard to public employment regulation, shows a high degree of institutional coherence with the co-ordination rules applying to the market economy. Probing deeper, we construct an index of politico-administrative regulation, which is compared to Hall and Gingerich's (2009) index of market coordination. The empirical evidence leads us to presume that public administration reforms are likely to focus on the existing market economy model when introducing private sector instruments to public administrations.

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1. INTRODUCTION

A well-functioning public administration tends to be seen as a major achievement in the development of modern statehood and as a core resource of governments today. With the onset of privatizing public services and public sector modernization in the last two decades, public administrations have been subject to substantial changes. Inspired by the ideas of New Public Management (NPM), various OECD countries implemented quasi-market steering instruments (e.g., zero-based budgeting, performance related pay and/or accounting) aimed at improving the cost-efficiency of public service provision (Lane 2005, Pollitt and Bouckaert 2004, Lippert 2005). Fostered and monitored by international organizations such as the OECD and the World Bank, this type of public sector modernization appears to be the new uniform global reform agenda, calling for an efficient use of public resources in times of growing economic competition and fiscal constraints (OECD 2004).

From a comparative perspective, however, public administrations still vary substantially across countries, e.g., “civil servants” in Anglo-American countries differ from “fonctionnaires” in France or “Beamte” in Germany (Wise 1996, van der Meer et al. 2007). In general, Anglo-American countries such as Great Britain and the United States tend to be relatively proactive towards NPM ideas, whereas continental European states are seen as more reluctant (Pollitt and Bouckaert 2004). Thus, countries continue to show different patterns of utilizing and implementing market-like steering instruments in their national public administration, despite relatively similar reform goals. These differences appear to be rather persistent, as countries differ not only with respect to their reform effort, but also with respect to the selection of instruments (Pollitt and Bouckaert 2004).

Against this background, two questions are at the center of this study: First, are there distinct administrative regimes within the OECD? Second, how do these regimes relate to the predominant rules of private sector market co-ordination? Whereas various studies suggest that country-specific factors play an important role in the implementation of NPM (Blanke et al. 2005; Pollitt and Bouckaert 2004), there has been little effort to systematize and characterize these differences. Our first question seeks to address this issue by assuming that not only single features, such as public sector employment, but the overall public sector formation might differ across countries. Meanwhile, our second question refers to the ability of countries to pick and choose from the NPM reform menu. To this end, we draw on the “Varieties of Capitalism” (VoC) literature and its focus on institutional coherence between economic and societal domains. Building on prior research by Albert (1992), Hall and Soskice’s (2001) comparative analysis of market economies in times of globalization suggests that instead of institutional convergence, two modes of successful market co-ordination continue to coexist. With the onset of NPM, private sector co-ordination mechanisms have become the role model for public sector co-ordination. In the context of public sector modernization, the VoC’s focus on institutional coherence implies that countries choose NPM reform instruments that are institutionally coherent with their market economy model. If this is the case we expect to observe a certain degree of institutional congruence or ‘tandem-like’ fit of regulatory institutions in the public and private sector.

This study is organized as follows: The next section sets out the theoretical framework, embedding public administration regimes within market economy models. Building on the work of Pollitt and Bouckaert (2004: Ch.3), section three presents the analytical dimensions for the classification of public administration regimes and our translation of these dimensions into empirical indicators. Section four explains our methodology. The fifth section presents results from the Multiple Correspondence Analysis (MCA) and the Principal Component (PC) factor analysis. Finally, we discuss the benefits and limitations of our results and indicate implications for further research.

2. Public Administration Regimes and Varieties of Capitalism

Current public administration reforms in OECD countries are inspired by the idea of efficiency maximization through market or market-like mechanisms (Horton and Farnham 2000; Reichard 2005; Demmke 2006, Lane 2005). Achieving cost-efficient public sector production represents a core intention of the NPM paradigm (König 1997; Naschold and Bogumil 2000). This re-orientation towards market principles appears to change the relationship between the state and the market. Whereas in previous times the state’s role in the expansion of markets has been to provide the norms and laws for market interaction (North 1990), currently the state seems to actively copy market mechanisms. This perceived public sector reform, however, has not apply to every country to the same extent. Empirical evaluations of public administration reforms (OECD 2005b) show that intensity, scope and timing of reforms vary substantially across countries.

Prior research on public administration modernization tends to concentrate on the implementation of certain instruments (accounting, performance-related pay, standard cost models, budgeting, etc.) and pays little attention to variation in contextual factors. The analytical focus is on the implementation of a specific reform measure, rather than exploring the conditions that shape its implementation (Pressman and Wildavsky 1973).

More recent studies show that there are persistent country differences in NPM implementation practices (Auer et al. 1996, Schröter and Wollmann 1997, Manning and Parison 2004, Pollitt 2003). Pollitt and Bouckaert (2004: 39) conclude that country-specific contextual factors play an important role in the success of public management reforms, although this does not imply that any reform proposal has to fully adapt to the institutional circumstances in order to be successful. Thus, despite the popularity of the NPM reform terminology, case studies on public sector reform do not indicate the dominance of a single coherent reform strategy (Auer et al. 1996, Hood 2003, Manning and Parison 2004, Pollitt and Bouckaert 2004). Instead this research suggests that reform efforts vary substantially across countries. The puzzling question is how to make sense of cross-country differences in public administration reform?

With the end of the Cold War and the rise of international trade, comparative political economists have shifted their attention toward differences in the configuration of market economies (Amable 2004, Schmidt 2002. Crouch and Streeck 1997). The “Varieties of Capitalism” (VoC) approach asserts that in spite of increasing demand for convergence caused by global economic integration, different market economy models continue to coexist. These market models may be equally successful, but they differ considerably in how they resolve co-ordination problems. Hall and Soskice’s (2001) comparative analysis of market economies places firms at the center of their consideration. Private sector firms operate at many different levels and, therefore, are confronted with numerous co-ordination problems. Two of the most vital co-ordination problems a firm is confronted with are wage bargaining with employees and/or employees’ collective interest organization on the one hand, and balancing conflicting investors’ interests on the other. Whereas the co-ordination problems are virtually the same across all market economies, Hall and Soskice (2001) argue that market economies can be distinguished by considering which institutions they chose to solve different co-ordination problems. By comparing market economies across countries, they identify two ideal modes of market co-ordination: liberal market economies (LMEs) and coordinated market economies (CMEs). In LMEs firms co-ordinate with other actors primarily through competitive markets, while CMEs limit or partially replace the market mechanism with compulsory collective co-ordination rules. This distiniction becomes evident in a number of distinct ways: in the degree of a firm’s market capitalization, the relative power of shareholders and the extent and coverage of employment protection (Hall and Gingerich 2009). Placing these two ideal modes of co-ordination at the extremes of a scale, the VoC approach provides a ranking of market economies ranging from liberal economies (e.g., the USA) to highly coordinated economies (e.g., Germany). Alternative cross-country classification, such as Esping-Andersen’s (1990) worlds of welfare capitalism or Castles (1993) work on families of nations, suggest at least three clusters of countries: a market liberal Anglo-American, a conservative Continental-European and a service-state-oriented Scandinavian cluster. In this light, it remains an empirical question whether the CME/LME continuum adequately captures variation between regimes.

The theoretical contribution of the VoC approach lies in how it shifts the analytical perspective from a single policy or reform measure towards the institutional framework in which this policy takes place. The two theoretical concepts central to the VoC description of different market production regimes are the concept of institutional coherence and institutional complementarity (Höpner 2005, Crouch et al. 2005, Aoki 1994). Hall and Soskice (2001) assume that, due to institutional complementarity, coordinating institutions within LMEs and CMEs countries are mutually stabilizing. Accodring to Höpner (2005: 333), institutional complementarity means “that the performance of a configuration increases when its elements assume specific properties”, whereas institutional coherence implies that “institutions are designed according to identical principles”. National market economies are not seen as a random set of independent institutions, but as a specific configuration where the different domains of the economy – industrial relations, finance, corporate governance, training and social protection – create a particular rationality of economic action (Deeg and Jackson 2007: 152). Focusing on the interaction between these domains has methodological implications. While quantitative oriented studies primarily investigate institutional coherence on the basis of cross-national comparisons (Hall and Gingerich 2009, Kenworthy 2006, Hicks and Kenworthy 2003), researchers aiming to identify institutional complementarity primarily rely on in-depth case-study research approaches to describe the feedback-processes behind institutional congruence (Streeck and Thelen 2005, Thelen 2004). Strictly speaking, there is no reason to assume that complementarity can be derived from institutional congruence and vice versa. Thus, following Höpner (2005: 334), we will consider the clustering of certain countries and their co-ordination institutions as an indication of coherence, but not as a proof of complementarity.

Why might the VoC approach help one to understand systematic differences in public administration regulation? The institutional coherence argument suggests that co-ordination rules in different economical and societal domains are following compatible principles. Applying this argument to national public administration systems implies that there should be a ‘tandem-like’ fit, or congruence, between the co-ordination rules in the public and private domain. In analogy to the firm, which has to co-ordinate with employees on the one side and investors on the other, the state can also be considered as being confronted with a two-sided co-ordination problem. In its role as an employer, the state has to co-ordinate its relationship with public employees. In its role as an executive instrument of the government, the state has to co-ordinate its relationship with politics.

Given this, we focus on rules applying to the co-ordination of public employment and the politico-administrative realm.

Taking a more dynamic perspective, Höpner (2005: 333) suggests that complementarities may reinforce resistance to change, if we can assume certain overlaps between complementarity and institutional stability. Applying this idea to public administration modernization would even imply that the selection and implementation of NPM instruments takes place on the basis of the existing market model, and not on the basis of a uniform global NPM-reform agenda. For the purpose of this study, we will begin with the exploration of the institutional coherence argument by taking a static analytical view. We need to understand the structural differences between administrative regimes, before we can embark into a study of administration reforms. According to these considerations, we searched for patterns of institutional coherence between the regulation of the market economy and the regulation of the public administration.

3. DIMENSIONS OF PUBLIC ADMINISTRATION REGIMES

Before we can compare public administration models with the market economy model, we need to define a reasonable framework to describe the properties of different public administration systems. The contemporary comparative public administration literature tends to be grounded in a rich set of case studies, because the efforts to assess public administration policies in a larger number of countries are still at an early stage. One of the first difficulties in classifying public administrations from a cross-country perspective is to determine the dimensions for comparison. According to Peters (1996), four elements – structures, behaviour, power and human resources – constitute the main interests of comparative public management research. Pollitt and Bouckaert (2004) provide a refinement of these dimensions by focusing on constitutional, functional and cultural elements of public administration systems. Their framework is based on five dimensions that are assumed to constitute the terrain for public administration reforms: (1) *state structure*, (2) *executive government*, (3) *minister/mandarin relations,* (4) *administrative culture* and (5) *diversity of policy advice*. In providing a comprehensive analytical framework for the study of public sector modernization, we will use Pollitt and Bouckaert’s (2004) framework to classify public administration regimes.

A second difficulty in comparative public administration research arises from the availability of comparative cross-national data. Whereas for decades comparative sociologists and political scientists have been occupied with the exploration of public expenditure data (Clasen and Siegel 2007), there is still little comparative information available on many other aspects: e.g., the size of public employment – which can be considered as a core resource of the state additional to public expenditures– or the organizational features of public administrations. Given the lack of comparative data, there is no generally accepted classification of public administration regimes, even though different approaches habe been discussed in the literature (e.g., by Hood 2003). By taking advantage of recent progress in collecting comparative data on public administration policies in OECD nations, we will try to animate the Pollitt and Bouckaert (2004) framework within an explorative research design. To begin with, the following paragraphs review the five dimensions suggested by Pollitt and Bouckaert (2004) and present our operationalization of these dimensions into a full set of comparative indicators.

(1) *State structure*: This dimension aims to capture the most relevant constitutional differences among countries. Referring to the division of state authority on different levels of government, it measures the horizontal separation of governmental powers. Unlike public administration in unitary states, public administration in federal systems is characterized by the delegation of state competences to autonomous or semi-autonomous local authorities. At least two aspects of decentralized state authority can be relevant for public administration reform. On the one hand, member states in a federal system can be used as ‘natural laboratories’, in which single NPM instruments are tested before being transferred to the central state level or to other member states. On the other hand, fundamental public management reforms have been primarily realized in centralized states (Pollitt and Bouckaert 2004: 44), indicating that centralized competencies may allow for more rigorous reforms. Furthermore, there are potential economies of scale advantages in a centralized unitary state. Huber and Shipan (2002) examine the structural conditions, which lead to more or less discretionary bureaucracy. Comparing various countries, they find a positive relationship between the density of administrative regulations and a federal state structure. Following Pollitt and Bouckaert (2004), the state structure is measured with Lijphart’s (1999) state structure index, which differentiates between federal and centralistic states.

(2) *Executive government*: The second dimension refers to the political decision-making process. Comparative political sciences distinguishes between two basic types of democratic systems: majoritarian and consensual democracies. Majoritarian democracies are characterized by one-party governments, executive dominance over the legislature, a two-party system with majority voting and a pluralistic representation of interests. Consensual democracies, by contrast, tend to have multiple party coalitions, a relative balance between the executive and legislature, a proportional electoral system and a corporatist representation of interests. These differences in the political decision-making process are likely to generate different types of policy reforms. When they consider public management modernization, Pollitt and Bouckaert (2004) note that majoritarian democracies such as Australia, Canada, New-Zealand and Great Britain have implemented more extensive public management reforms than comparable governments in

consensual democracies. Following Pollitt and Bouckaert (2004) suggestion, executive government structure is captured by means of Lijphart’s (1999) executive government index, which distinguishes between consensual and majoritarian democracies.

(3) *Minister/mandarin relations*: The third dimension primarily analyzes the characteristics of the political-administrative system. This dimension concerns the influence of top-ranking officials on political decisions, and the relationship between the bureaucracy and the government in general. The collaboration between political and administrative executives might be a factor in public management reform. To what extent “deals” between the two groups of elites can be negotiated depends in particular on the administrative executives and whether they are political or apolitical. A formal politization is more likely if bureaucrats are directly appointed by political actors (Schnapp 2004). The NPM concept calls for a basic reformulation of the relationship between politics and public administration, by demanding a strict separation between the political and administrative sphere. We try to capture cross-national variance in minister/mandarin relations with four alternative measures. Two items are taken from the Sustainable Governance Indicators (SGI 2009) project.[1] The variable *bureaucratic drift* is based on the following question: “How effectively do ministries monitor the activities of executive agencies?” Concerning the *role of the senior civil service* the experts were asked “How effectively do senior ministry officials (leading civil servants) prepare cabinet meetings?” As these two measures can only serve as proxy-indicators for Pollitt and Bouckaert’s minister/mandarin relations we employ two supplementary variables. One is the scope of public employment, which is measured as the share of public employees in the total working population. This variable is taken from the OECD (2000, 2002) Public Sector Pay and Employment Data (various issues) and the World Bank’s (2001) Cross-National Data on Government Employment and Wages. And finally, the variable *senior civil service*, which indicates whether the public management system allows for the presence of so-called ‘mandarins’: public servants in ministries and public agencies, operating at the top levels of management. This variable is also taken from the OECD (2003, 2007) Comparison of Employment in the Public Domain Survey (CEPD).[2]

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1 The SGI data is based on expert interviews. In each OECD member state three leading scholars with established country expertise were asked to answer a combined standardized and non-standardized questionnaire. Additioanly, subjective assessments had to be substantiated with empirical evidence. A detailed explanation of the methodological concept is presented at www.sgi-network.org . Unfortunately, the SGI Project does not provide information on the variance between expert assessments.

2 We are grateful towards the OECD’s Directorate for Public Governance and Territorial Development for providing us the Comparison of Employment in the Public Domain (CEPD) Data in an aggregated Excel file.

(4) *Administrative culture*: The fourth dimension aims to describe differences in administrative culture. Individual level research on public sector work ethos suggests that public servants can be distinguished from private sector employees by their specific values and by the way services are provided, namely in a rather bureaucratic or output oriented fashion (Norris 2003, Houston 2000). Pierre (1995) and König (1997) suggest that the NPM approach might be more easily reconcilable with organizational attitude in the Anglo-American administration than with the German-French public management tradition. To this end, Pollitt and Bouckaert (2004) distinguish between public management regimes with a ‘public interest’ orientation and those with a legalistic ‘constitutional state’ orientation. Countries with a strong ‘constitutional’ orientation are presumed to be less flexible towards the NPM approach. Different cultures of public management are explored on the basis of three indicators. First, legal traditions can be assumed to find an expression in the administrative culture. There are at least four legal traditions in the OECD world: Anglo-American, Continental European-French, Continental European-German and Scandinavian (La Porta et al. 1998).[3] Second, Hofstede’s (1994) uncertainty avoidance index is used to proxy general risk-taking and behavior under uncertainty. Cultures intending to avoid uncertainty should be characterized by a higher degree of administrative regulation. Pollitt and Bouckaert (2004) refer to exactly this indicator in order to express differences in public administration cultures. However, one should bear in mind that Hofstede’s index was established on the basis of staff surveys in private companies. The uncertainty avoidance index is therefore likely to be biased. Concerning the direction of the bias, we expect that the index underestimates the actual scope of risk aversion in public administration, as survey research has shown that public servants have a tendency to take fewer risks than employees in private companies (Norris 2003, Houston 2000). This bias would only matter to the extent to which it varies between countries. Finally, we considered the use of performance related pay policies (OECD 2004, 2005a), since administrative systems that already make use of this NPM instrument should encounter less resistance to fully adopting the NPM reform agenda.

(5) *Diversity of policy advice:* The last dimension of Pollitt and Bouckaert’s (2004) framework on public management reform refers to the diversity of the key sources of advice to ministers on public management reform issues. Theoretically, ministers might

[3] The classification of legal traditions by La Porta et al. (1998) does not differentiate between public and private law. For a more detailed theoretical discussion on public law legal traditions see Grote (2001). Since there is no alternative classification of legal traditions available that covers our 20 OECD countries and since the La Porta et al. (1998) classification has been widely used in cross-national comparative research, we will also rely on this indicator as a proxy measure for legal traditions.

take advice from their political party, mandarins, lobbyists or academia. Pollitt and Bouckaert (2004:57) assume that the wider the range of customary sources of advice, the more likely it is that new ideas from outside the public sector – such as NPM – will gain influence. Due to the limited availability of comparative data on this dimension we have to rely on a single indicator also taken from the SGI (2009). Country experts have been asked "How influential are non-governmental academic experts for government decision making?" Straightforwardly, we expect that administrative systems that are open towards expertise from outside the bureaucracy should also be more compatible with NPM ideas.

***Table 1**: Operationalization of Pollitt and Bouckaert's (2004) dimensions of public administration*

Dimension Pollitt and Bouckaert	*Public employment regulation indicators*	*Politico-administrative regulation indicators*	*Source*	*Scale*
State Structure		– Federal-unitary dimension	Lijphart (1999)	(quasi) metric
Executive Government		– Executives-parties dimension	Lijphart (1999)	(quasi) metric
	– Public sector unions		OECD (2007)	categorical
	– Public sector bargaining		OECD (2007)	categorical
Minister/ Mandarin Relation		– Bureaucratic drift (How effectively do ministries monitor the activities of executive agencies?)	SGI (2009)	(quasi) metric
		– Role of senior civil service (How effectively do senior ministry officials (leading civil servants) prepare cabinet meetings?)	SGI (2009)	(quasi) metric
		– Scope of public employment	OECD (2000, 2002) World Bank (2001)	(quasi) metric
	– Existence of senior civil service		OECD (2007)	categorical
Administrative culture		– Uncertainty avoidance	Hofstede (1994)	(quasi) metric
	– Performance related pay		OECD (2007)	categorical
	– Legal tradition		La Porta et al. (1998)	categorical
Diversity of policy advice		– Academic advice (How influential are non-governmental academic experts for government decision making?)	SGI (2009)	(quasi) metric

Table 1 summarizes the dimensions of Pollitt and Bouckaert's (2004) framework of politico-administrative regimes and our operationalization of this framework with comparative indicators. Although the selection of indicators and their affiliated dimensions is based on logic and supported by the literature, especially Pollitt and Bouckaert's (2004) framework, we freely admit that the selection and affiliation of indicators is not beyond dispute. Due to the explorative character of this investigation and the fact that this framework has not been empirically examined in a larger number of countries, we believe that our broad collection of comparative public administration indicators should be able to illustrate structural differences between public administration regimes in the OECD world.[4]

In order to explore the second question concerning the relationship between public administration regulation and the market economy model, we use Hall and Gingerich's (2009) market co-ordination index.[5] The index is based on factor scores from Principal Component (PC) factor analysis. Their analysis includes the following measures: shareholder power, dispersion of control, size of the stock market, level of wage co-ordination, degree of wage co-ordination and the labor turnover. The resulting index of market co-ordination expresses the distinction between liberal (LMEs) and coordinated market economies (CMEs), where higher scores represent higher co-ordination.

4. METHOD

In 1992, Derlien described the status of comparative public administration as "rather comparable than comparative". Taking a qualitative approach, Pollitt and Bouckaert's (2004: 42) classification of public administrations is already based on 12 countries. Due to advancements in comparative data collection by various institutions, we are able to cover 20 OECD countries (Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Great Britain and the United States of America). In order to investigate the existence of distinct public administration regimes and to test whether these regimes are institutionally coherent with the market economy model, we employ two explorative statistical methods. Depending on the scale level of the indica-

4 Since the research design is explorative in nature we do not take into account alternative explanations (e.g., veto players, partisanship, unionism, etc.) of public management reform. Testing the explanatory power of the public-administration-regime-classification against these alternative explanations will be left to further research.

5 We thank Peter Hall and Daniel Gingerich for providing us the dataset they used in their 2009 article. The same indicator can also be found in an earlier working paper version from 2004: "Varieties of Capitalism and Institutional Complementarities in the Macroeconomy: An Empirical Analysis". Discussion Paper 04/5, Max-Planck-Institut für Gesellschaftsforschung (page 14).

tor, we will either use Multiple Correspondence Analysis (MCA) or Principal Component (PC) factor analyses.

MCA can be considered as a certain kind of multiple correlation analysis applicable for the analysis of large contingency tables (Clausen 1998, Blasius and Greenacre 2006). The basic idea is to reduce a complex data matrix into a limited number of dimensions without loosing essential information. Hence, MCA makes it possible to represent the association between two or more categorical variables by representing the categories of the variables as points in a two or more dimensional space (Clausen 1998: 2). Categories with similar distributions will be represented as points that are close to each other, while categories that are dissimilar in their distribution will be positioned far apart (Clausen 1998: 10). The resulting dimensions are evaluated on the basis of their contribution to capture total variance and, thus, it is up to the researcher to interpret the dimensions and the location of points in a theoretically sensible manner. If there are distinct public administration regimes among our 20 OECD nations, we expect to find certain clusters of points. For example, given prior evidence from comparative administration research, the point indicating Common Law should be located close to the point indicating the use of performance related pay policies.

One very useful feature of MCA is the possibility of introducing a so-called passive or supplementary variable. The categories of the passive variable are points without mass, implying that they do not contribute to the explained variance within a given a dimension. However, since we are able to calculate the Chi-square distances for these passive points, they can be located in n-dimensional space (Clausen 1998: 21). We will use this feature to test whether the market economy model is coherent with public administration regimes. Since MCA requires categorical variables, the Hall and Gingerich (2009) market coordination index has been transformed into tercentiles – low, medium, high. Compared to the original dichotomy, this allows us to test the VoC assumption that countries line up on a single dimension. If there is institutional coherence between the market economy model and the public administration regimes, the passive point indicating high market co-ordination should be located close to those points indicating a highly regulated public administration.

As for the indicators capturing differences in the politico-administrative system, we follow the methodological approach taken by Hall and Gingerich (2009) and employ Principal Component (PC) factor analysis. Similar to MCA, PC is an explorative data reduction technique. Confronted with a large set of (quasi) metric variables, PC is used to discover which variables in the set form a coherent subset (Tabachnick and Fidell 2001: Ch.13). The resulting factor is used to compute factor scores for each country in our sample. These factor scores will be standardized to a public administration regulation index, which will then be plotted against Hall and Gingerich (2009) index of market co-ordination. In doing so, we will be able to examine whether a positive relationship between public and private sector co-ordination actually exists.

Table 2: *Market economy coordination scores and public employment regulation*

Country	*Coordination scores*[a]	*Legal tradition*	*Public sector bargaining*	*Public sector unions*	*Performance related pay*	*Existence of senior civil service*
Austria	high	German	two tiers collective	strong	no	No
Belgium	high	French	single collective	strong	no	yes
Germany	high	German	single collective	moderate	yes	No
Italy	high	French	two tiers collective	strong	yes	yes
Japan	high	German	no collective	moderate	yes	No
Norway	high	Scand.	two tiers collective	strong	yes	yes
Denmark	medium	Scand.	two tiers collective	strong	yes	No
Finland	medium	Scand.	two tiers collective	strong	yes	yes
France	medium	French	single collective	moderate	yes	yes
Nether-lands	medium	French	two tiers collective	moderate	yes	No
Portugal	medium	French	single collective	moderate	no	No
Spain	medium	French	single collective	weak	yes	No
Sweden	medium	Scand.	two tiers collective	moderate	no	No
Australia	low	Common	single collective	weak	yes	yes
Canada	low	Common	single collective	moderate	yes	yes
Ireland	low	Common	no collective	moderate	yes	no
New Zealand	low	Common	single collective	moderate	no	yes
Switzer-land	low	German	single collective	weak	yes	no
UK	low	Common	no collective	strong	yes	yes
USA	low	Common	no collective	weak	yes	yes

Note: a) Coordination scores taken from Hall and Gingerich (2009)

5. Empirical Analysis

The empirical analysis will proceed in two steps.[6] First, public employment regulation will be examined according to Pollitt and Bouckaert’s (2004) dimensions using MCA, while Hall and Gingerich’s (2009) market coordination index will be entered as a passive variable. Second, employing PC factor analysis, we will compute an index of politico-administrative regulation, which will then be plotted against Hall and Gingerich’s (2009) market coordination index.

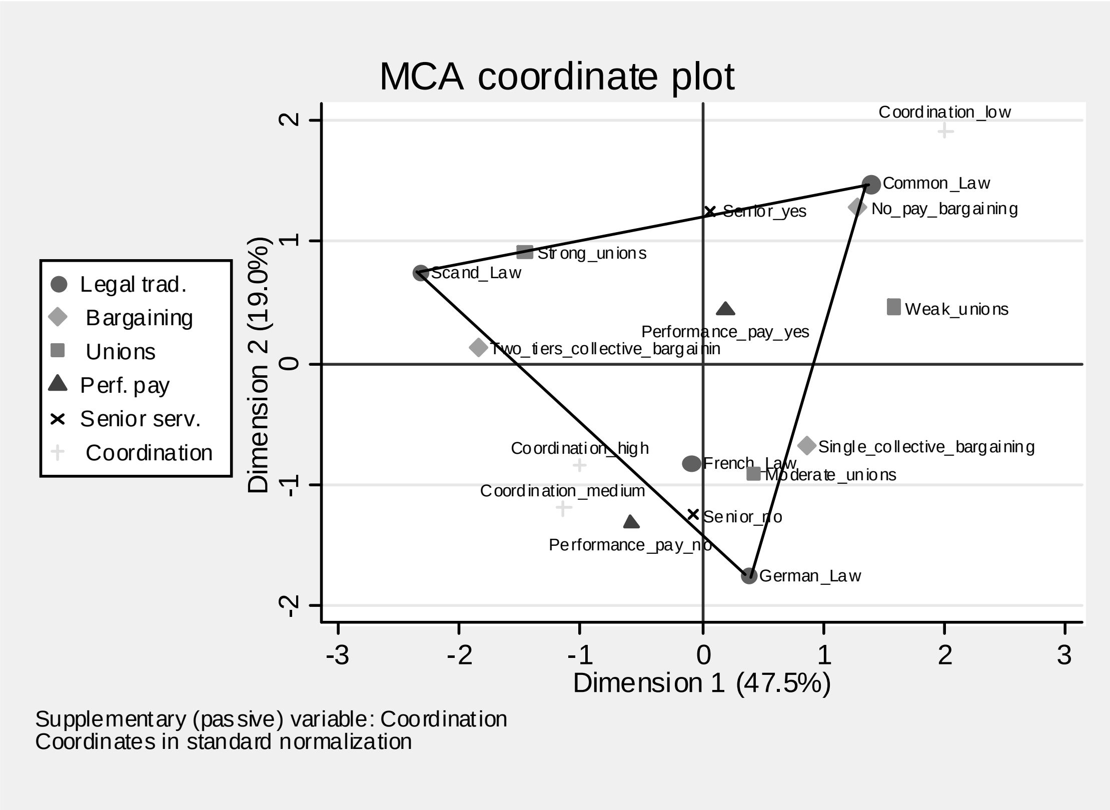
5.1. Public Employment Regulation and Market Coordination

Table 2 summarizes our set of categorical variables used to describe public employment regulation. Countries have been ordered by the tercentiles, as found in Hall and Gingerich’s (2009) market coordination index. A preliminary look at the table suggests that low market coordination is affiliated with a German/French legal tradition, whereas countries with a Common Law tradition tend to be in the group of countries with the highest co-ordination scores. An assessment of the affiliation between market co-ordination and the other four indicators remains difficult from merely looking at the table. Thus, we turn to the MCA. Figure 1 shows the results of the MCA based on the variables from Table 1, entering the market co-ordination index as a passive variable. Jointly, both axes of the two-dimensional diagram account for 66.5 percent of total variance (47.5 percent plus 19.0 percent). The third dimension captures only additional 6.75 percent of total variance and will therefore be considered as irrelevant for the substantive interpretation (Clausen 1998: 24).

We begin by focusing on the active variables. With regard to legal traditions, a clear distinction can be made between countries with a Common Law tradition and countries with a German/French or Scandinavian legal tradition. Points indicating the German/French and Scandinavian legal tradition can be found on a hypothetical line to which the ‘Common Law’ systems are diametrically opposed. In this respect, the categories of the variable ‘legal tradition’ span a triangle in which the points of the other variables are located. For illustration purposes, the lines of this ‘hypothetical triangle’ have been added to the figure. In relative proximity to the feature “Common Law” are the points indicating “no pay bargaining”, “senior civil service”, “weak unions” and “performance pay”; while, in relative proximity to the feature “Scandinavian law” are the points indicating “two tiers collective bargaining”, and “strong public sector unions”. The points indicating a German/French legal tradition lie relatively close together. These two legal traditions are affiliated with ‘moderate unions’, ‘single tier col-

6 The statistical analysis is performed with Stata 10. The dataset and syntax are available for reproduction purposes (markus.tepe@uni-oldenburg.de).

Figure 1: *Public employment regulation and market coordination (Multiple correspondence analysis)*



Note: Legal tradition (German, French, Common, Scandinavia), Bargaining (two tiers collective, single collective, no collective), Unions (strong, moderate, weak), Performance pay (yes, no), Senior service (yes, no), Coordination (high, medium, low)

lective bargaining' and the absence of 'performance pay' policies. In sum, the MCA suggests three clusters of public administration regimes, where the strongest differences can be found between Common Law countries, on the one hand, and German/French law countries, on the other.

We will now turn to the interpretation of the passive variable: the market co-ordination score. According to the institutional coherence argument derived from the VoC literature, we suggested that the passive points indicating high, medium or low market co-ordination should lie close to the three public administration clusters. If there is a 'tandem-like' fit between the market economy model and the public administration regime, this should become visible in the localization of co-ordination points. Figure 1 shows that the point indicating low market co-ordination lies in close proximity to the Common Law cluster, whereas the points indicating medium and high market co-ordination are closely located to the French/German law cluster. The Scandinavian public administration cluster seems not to fit with the market co-ordination classification.

In sum, the active variables describing public employment regulation vary on two dimensions, whereas the market co-ordination index varies only on one dimension between Common Law and French/German law tradition. Additionally, Scandinavian law countries are not adequately described by the CME/LME continuum. Based on these results, we suggest the following interpretation. The first dimension (x-axis) captures the concept of statehood with a service-oriented state in Scandinavian countries and a regulatory-oriented state in Common Law, French and German law countries. The second dimension (y-axis) captures how regulatory-oriented states actually solve the co-ordination problems – via market (Common Law) or via non-market mechanisms (French/German law).

5.2. Politico-Administrative Regulation and Market Coordination

Table 3 summarizes our metric and quasi-metric variables used to describe the politico-administrative system. Once more, countries have been ordered according to Hall and Gingerich’s (2009) market co-ordination index. As above, the descriptive table does not allow us to easily identify any systematic relationship between market coordination and any of the seven indicators of public administration. As a first step, we computed averages, according to the market co-ordination tercentiles. While it still remains difficult to establish a clear relationship between market co-ordination and public administration indicators, Table 3 suggests that countries with the lowest market co-ordination tend to have consensual governments, high uncertainty avoidance and low influence of academic advice when compared to countries with the highest market co-ordination. The assessment of countries with a medium level of market co-ordination appears to be the most difficult. If anything, these countries tend to have the highest average scope of public employment. Focusing on this indicator confirms that Scandinavian countries have an outstandingly high level of public employment. We suppose that this indicator is of particular relevance to describe service-orientated statehood, as our overall measure of public employment covers both public administration employees and overall public sector employees.

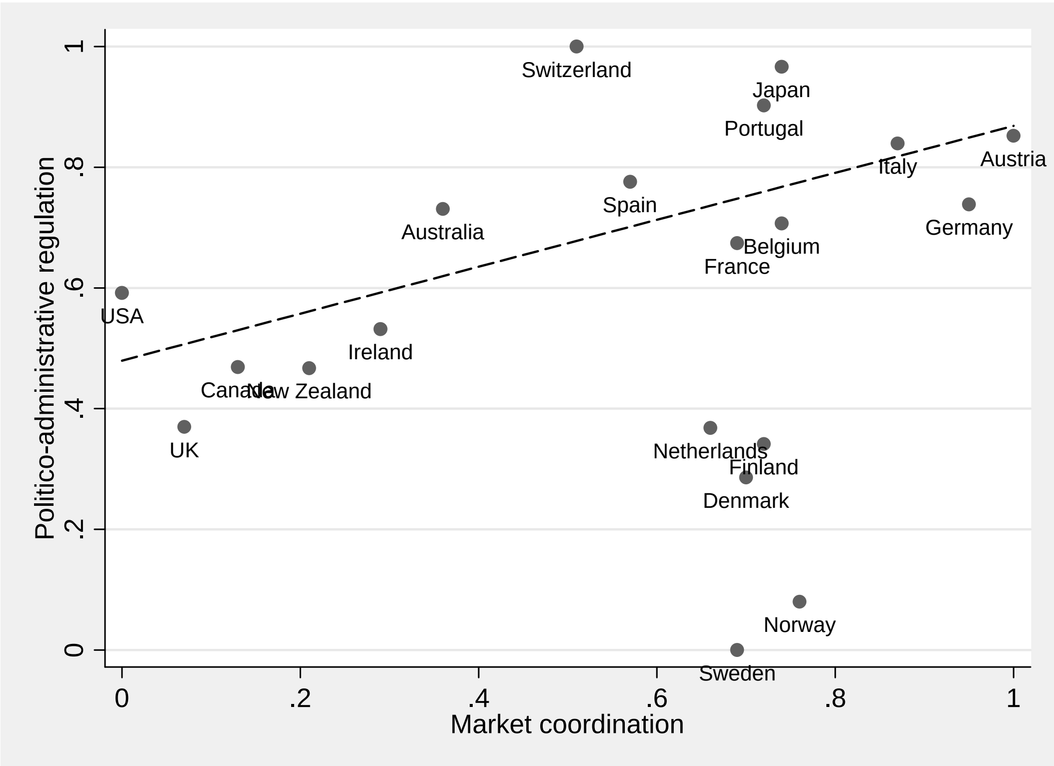
Table 3: *Market economy coordination scores and politico-administrative regulation*

Country	*Coordination scores*	*Executives-parties dimension*[a]	*Federal-unitary dimension*[b]	*Scope of public employment*[c]	*Uncertainty avoidance*[d]	*Bureaucratic drift*[e]	*Role of senior civil service*[e]	*Academic advice*[e]
Austria	1.00	0.26	1.08	11.53	70	8.5	6.6	4
Germany	0.95	0.23	2.53	10.85	65	10	8.9	4
Italy	0.87	1.16	-0.11	13.2	75	4	6.6	5.5
Norway	0.76	0.92	-0.65	28.67	50	10	10	8.5
Belgium	0.74	1.42	0.21	16.87	94	7	8.9	4
Japan	0.74	0.85	0.22	5.26	92	8.5	6.6	4
mean	*0.84*	*0.81*	*0.55*	*14.40*	*74.33*	*8.00*	*7.93*	*5.00*
Finland	0.72	1.66	-0.83	21.09	59	8.5	10	5.5
Portugal	0.72	0.36	-0.7	13.38	104	7	5.5	5.5
Denmark	0.70	1.45	-0.38	23.1	23	8.5	8.9	5.5
France	0.69	-0.93	-0.17	21.76	86	7	8.9	2.5
Sweden	0.69	1.04	-0.79	29.24	29	10	10	8.5
Netherlands	0.66	1.16	0.35	12.86	53	7	10	10
Spain	0.57	-0.59	0.42	12.22	86	7	8.9	4
mean	*0.68*	*0.59*	*-0.30*	*19.09*	*62.86*	*7.86*	*8.89*	*5.93*
Switzerland	0.51	1.87	1.61	7.11	58	4	5.5	5.5
Australia	0.36	-0.67	1.72	13.59	51	8.5	7.8	4
Ireland	0.29	0.12	-0.42	14.1	35	5.5	8.9	5.5
New Zealand	0.21	-1.12	-1.77	11.8	49	10	7.8	7
Canada	0.13	-1.07	1.88	16.47	48	8.5	8.9	8.5
UK	0.07	-1.39	-1.19	18.1	35	7	8.9	7
USA	0.00	-0.52	2.36	14.08	46	10	7.8	7
mean	*0.22*	*-0.40*	*0.60*	*13.61*	*46.00*	*7.64*	*7.94*	*6.36*

Note: a) ranges from majoritarian (low values) to consensual (high values), b) ranges from centralized (low values) to decentralized (high values), c) measured as a share of the working population d) ranges from 1 (low) to 120 (high) uncertainty avoidance, e) ranges from 1 (weak influence) to 10 (strong influence).

To furthermore reduce the complexity of information provided in Table 3, we will now consider the results of the PC analysis. This analysis identifies an underlying factor with an eigenvalue of 2.8, whereas the second factor has an eigenvalue of 1.3. Given these differences, we use factor scores from the first factor to measure politico-administrative regulation.[7] In Figure 2 the standardized factor scores [0,1] are plotted against Hall and Gingerich's (2009) market co-ordination index [0,1]. The scatterplot indicates three clusters of countries. Anglo-American countries tend to combine low market co-ordination scores with medium politico-administrative regulation (USA, Canada, New Zealand, Ireland, UK). French/German countries tend to have high market co-ordination scores and high politico-administrative regulation scores (Japan, Portugal, Belgium, Spain, Switzerland, Italy, Austria). For these two groups we find a positive relationship between market co-ordination and politico-administrative regulation providing empirical support for the institutional coherence argument (see linear approximation in Figure 2). Scandinavian countries, however, do not follow this pattern (Sweden, Norway, Denmark, Finland). These countries combine high market co-ordination with low politico-administrative regulation.

Figure 2: *Politico-administrative regulation and market co-ordination (Principal component analysis)*



Note: The dashed line represents a linear approximation (without Scandinavian law countries).

Even though this pattern seems to be consistent with the evidence from the MCA, it raises the question of why the results are less clear. This might be due to the how the states conceptualization the role of government. We speculate that the role of the state in Scandinavian countries might be captured by the term 'service-oriented' state. Indi-

7 Detailed results of the PC factor analysis are given in Appendix Table 1.

cating the public co-ordination goes beyond the regulation of industrial relations. In the Anglo-American and French/German regimes the underlying state concept is virtually the same – a ‘regulatory-oriented’ state. Drawing on a state/market dichotomy, the Anglo-American and French/German regimes, vary in the extent to which the state is allowed to interfere with the market mechanism. Thus, the selection of co-ordination mechanisms and the extent of co-ordination vary between those two regimes in either choosing a market (Anglo-American) or non-market (French/German) co-ordination solution.

6. CONCLUSIONS

The results of our explorative analysis of public administration systems and their relationship with the market economy model can be summarized as follows: first, our analysis based on MCA and PC analysis for of 20 countries indicates the existence of three distinct public administration regimes within the OECD. In accordance with the families of nations heuristic (Castles 1993), the legal tradition and public employment regulation appear to be important factors of administrative regimes. The Anglo-American public administration regime (Great Britain, New Zealand, Australia, Canada, United States of America) is characterized by a relative openness towards NPM instruments. The French/German regime (Germany, Austria, France, Belgium) can be distinguished by its orientation towards legalistic task executions and relatively closed career systems for public employees. The latter also seems to apply to the Scandinavian public administration regime (Denmark, Finland, Norway, Sweden). However, compared to the German/French regime, the Scandinavian regime appears to be more open towards NPM concepts and can, thus, be described as a mixed regime. This assessment of Scandinavian countries is consistent with prior qualitative research perfomed by Christensen, Laegreid and Wise (2002: 167) and Pollitt and Bouckaert (2004: 239, 2004: 286). Both studies conclude that Scandinavian countries appear to be relatively open towards NPM, but also show that these countries are much more selective in the implementation of NPM instruments when compared to their Anglo-American counterparts.

Second, we find tentative evidence in support of the institutional coherence argument. Purely market-inspired public management reforms appear to be more difficult to realize in highly co-ordinated market economies. This might suggest the existence of an institutional lock-in as implied by the VoC approach. Hence, functionalistic NPM approaches, assuming the convergence of public administration reform strategies, can thus far not be confirmed by our empirical analysis. Instead, findings tilt in the direction of a ‘tandem-like’ fit between market economy models and the public administration regimes for the Anglo-American and German/French administrative regimes. In this, our findings are consistent with the presumptions derived from the VoC approach. However, our results also point out some limits of the VoC classification, as we found that it seems to not adequately capture the co-ordination mode in Scandinavian countries.

Besides methodological limitations – small-N, use of proximity indicators, ambiguous affiliation of indicators with Pollitt and Bouckaert’s (2004) dimensions of public management reform – there may be three substantive implications of this study. First, by classifying countries into public administration regimes we provide an empirically grounded, but still very preliminary, heuristic for comparative public administration research. Further research willshow how convincing and how useful this heuristic is in making sense of the alternative public sector modernization paths taken in different countries. Secondly, this study has been an exercise in transferring the VoC concept to the domain of public administration. There might be various public policies where the VoC’s focus on the interplay between co-ordination rules in different societal domains could provide insights in how to understand different patterns of public service privatization (e.g., waste disposal, energy regulation, etc.). Finally, the search for institutional coherence between market and public administration regulation is static in nature. Recently, there has been growing theoretical interest in exploring the VoC approach’s ability to account for processes of institutional change (Hall and Thelen 2007, Deeg and Jackson 2009). While further in-depth qualitative research might help to specify the role of institutional complementarities in these reforms, on the basis of our empirical evidence we can only speculate that public management modernization is contingent on the existing market economy model when the public sector selects and implements NPM instruments.

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Appendix Table 1: *Principal-component factor analysis*

Variable	*Factor (1) loading*	*Uniqueness*
Executives-parties dimension	0.022	0.458
Federal-unitary dimension	-0.431	0.504
Scope of public employment	0.837	0.275
Uncertainty avoidance	-0.709	0.458
Academic advice	0.678	0.541
Role of senior civil service	0.813	0.329
Bureaucratic drift	0.487	0.387
Eigenvalue Factor (1)	2.8	
Eigenvalue Factor (2)	1.3	

Note: Rotation = orthogonal varimax (Kaiser off)

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